

**19 January 2023**

## **GAS PRICE CAP UNCERTAINTY PERSISTS**

Australia's oil and gas industry has welcomed the release of Interim Guidelines for the implementation and enforcement of price cap legislation by the Australian Competition and Consumer Commission (ACCC), almost one month after the price cap came into effect.

The Australian Petroleum Production & Exploration Association (APPEA) had been waiting for a range of issues to be clarified since mid-December, when the interventions were first announced.

However, the Interim Guidelines do little to resolve the short and long-term uncertainties in the market.

APPEA Chief Executive Samantha McCulloch said the interim nature of the Guidelines released this week reflected the complexity of implementing this policy and underscored its rushed nature.

"The Interim Guidelines re-enforce the disconnect between the policy and the operations of the Australian gas market in practice," she said. "It is clear that the new rules will make it extremely challenging for producers to continue to provide the flexibility of gas supply required by customers."

The Interim Guidelines also leave much of the interpretation of the rules to the discretion of the ACCC, on a case-by-case basis. This includes for simple questions such as when and where transport costs are included within the cap.

Ms McCulloch said the industry was committed to continuing to meet the needs of customers while adhering to the new laws.

"With up to \$50 million penalties, it is entirely reasonable for the industry to require certainty of the rules under which it is being asked to operate. But the government is still writing the rule book," she said. "To date, the government's interventions have created uncertainty and confusion in the gas market, while delivering little or no benefit to consumers. The government has acknowledged that over 90% of gas supply is already contracted for 2023.

"We all need a gas market that can function. The industry will continue to engage with the ACCC and the Government to try and find a workable path out of the uncertainty that currently prevails.

"As the Code of Conduct process advances, we hope that lessons will be learned from the price cap experience, where poorly conceived interventions are creating uncertainties and in turn damaging and immediate impacts on the functioning of the market to the detriment of consumers. The government should be taking note of the unintended consequences of these measures as it seeks to permanently regulate gas prices".

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